

Alameda Reuse and Redevelopment Authority of The City Of Alameda, California



Component Unit Financial Statements And Independent Auditor's Reports

**For The Fiscal Year
Ended June 30, 2010**

Alameda Reuse and Redevelopment Authority of the City of Alameda

Alameda, California

***Component Unit Basic Financial Statements
and Independent Auditor's Reports***

For the year ended June 30, 2010

Alameda Reuse and Redevelopment Authority of the City of Alameda
Basic Financial Statements
For the year ended June 30, 2010

Table of Contents

	<u>Page</u>
INTRODUCTORY SECTION:	
Table of Contents.....	i
Members and Administrative Personnel	iii
FINANCIAL SECTION:	
Independent Auditors’ Report	1
Management’s Discussion and Analysis.....	3
Component Unit Basic Financial Statements:	
Authority-Wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities and Changes in Net Assets	15
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet.....	18
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide	
Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances.....	20
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures	
and Changes in Fund Balances to the Government-Wide Statement of Activities	
and Changes in Net Assets.....	21
Notes to Component Unit Basic Financial Statements.....	23
Required Supplementary Information:	
Budgets and Budgetary Accounting.....	36
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
Lease Revenue Fund.....	37
Supplementary Information:	
Balance Sheet by Revenue Source:	
Lease Revenue Fund.....	41
Statement of Revenues, Expenditures and Changes in Fund-Balance by Revenue Source:	
Lease Revenue Fund.....	42
Report on Internal Control over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial	
Statements Performed in Accordance with <i>Government Auditing Standards</i>	43

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ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY OF THE CITY OF ALAMEDA

MEMBERS AND ADMINISTRATIVE PERSONNEL

JUNE 30, 2010

MEMBERS

Chair	Beverly Johnson
Vice Chair	Doug deHaan
Board Member	Marie Gilmore
Board Member	Frank Matarrese
Board Member	Lena Tam

ADMINISTRATIVE PERSONNEL

Interim Executive Director	Ann Marie Gallant
Secretary	Leslie Little

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INDEPENDENT AUDITORS' REPORT

Members of the Governing Board of the Alameda Reuse and Redevelopment Authority
of the City of Alameda
Alameda, California

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Alameda Reuse and Redevelopment Authority of the City of Alameda (Authority), a component unit of the City of Alameda, California (City), as of and for the year ended June 30, 2010, as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Authority as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Members of the Governing Board of the Alameda Reuse and Redevelopment Authority
of the City of Alameda
Alameda, California
Page 2

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Introductory Section and Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Caproni & Larson, Inc.

San Francisco, California
December 13, 2010



ALAMEDA REUSE AND REDEVELOPMENT AUTHORITY OF THE CITY OF ALAMEDA

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2010

The Alameda Reuse and Redevelopment Authority (ARRA) is required to provide this management overview of its financial activities for the fiscal year ended June 30, 2010. The information presented herein should be considered in conjunction with the Basic Financial Statements for the Authority.

FINANCIAL HIGHLIGHTS

Financial highlights include the following:

- At June 30, 2010, the Authority's net assets totaled \$69.6 million.
- At June 30, 2010, the Authority's total revenues, including program and general revenues, were \$12.4 million, while total expenses were \$11.8 million; transfers out were \$4.3 million.
- Governmental Program Revenues were \$11.3 million in FY09-10.
- Governmental General Revenues were \$1.1 million in FY09-10.

OVERVIEW OF BASIC COMPONENT UNIT FINANCIAL STATEMENTS

The Authority's annual financial report is comprised of two parts:

- 1) Management's Discussion and Analysis, and
- 2) The Basic Component Unit Financial Statements, which include the Government-wide and the Fund Financial Statements, as well as the Notes to these financial statements.

The Basic Component Unit Financial Statements

The Basic Component Unit Financial Statements comprise the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different perspectives of the Authority's financial activities and financial position.

The Government-wide Financial Statements provide a longer-term view of the Authority's activities as a whole, and comprise the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets provides information on the financial position of the Authority as a whole, including all capital assets and long-term liabilities on the full accrual basis, similar to that used by corporations. The Statement of Activities provides information on all Authority revenues and all expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each of the Authority's programs. The Statement of Activities explains in detail the change in Net Assets for the fiscal year.



Alameda Reuse and Redevelopment Authority of the City of Alameda

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

The Fund Financial Statements report the Authority's operations in more detail than the government-wide statements, and focus primarily on the short-term activities of the Authority's Governmental Funds. The

Fund Financial Statements measure only current revenues, current expenditures and fund balances. These statements exclude capital assets, long-term debt, and other long-term obligations.

Major Funds account for all the financial activities of the Authority and are presented individually.

The Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities present information about the Authority's Governmental Activities. All of the Authority's basic services are considered to be governmental activities, including general government, reuse and redevelopment services. These services are supported by revenues such as lease and rental revenue, capital grants and developer fees.

Government-wide financial statements are prepared on the accrual basis, which measures the flow of all economic resources of the Authority as a whole.

Fund Financial Statements

The Fund Financial Statements provide detailed information on each of the Authority's most significant funds, called Major Funds. Each Major Fund is presented individually. Major Funds present the major activities of the Authority for the year, and may change from year to year as a result of changes in the pattern of the Authority's activities.

Fund Financial Statements Include Only Governmental Funds

Governmental Fund Financial Statements are prepared on the modified accrual basis, which measures only current financial resources and uses. Capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund Financial Statements. Comparisons of Budget and Actual financial information are presented only for the Authority's Lease Revenue Fund (i.e. its General Fund).

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Authority-wide and fund financial statements. The notes to the financial statements follow the basic financial statements and can be found on pages 23-33 of this report.



Alameda Reuse and Redevelopment Authority of the City of Alameda

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

AUTHORITY-WIDE FINANCIAL ACTIVITIES

Net assets may serve, over time, as a useful indicator of a government's financial position. This analysis focuses on the net assets and changes in net assets of the Authority's Governmental Activities.

	2010	2009	Percentage Change
Cash and Investments	\$ 10.69	\$ 13.07	-18.21%
Other Assets	0.40	0.47	-14.89%
Capital Assets	73.82	75.76	-2.56%
Total assets	\$ 84.91	\$ 89.30	-4.92%
Long-term Debt Outstanding	12.60	12.90	-2.33%
Other Liabilities	2.72	3.33	-18.32%
Total Liabilities	\$ 15.32	\$ 16.23	-5.61%
Net Assets			
Invested in Capital Assets, Net of Debt	73.82	64.32	14.77%
Restricted	0.84	1.23	-31.71%
Unrestricted	(5.07)	7.52	-167.42%
Total net assets	\$ 69.59	\$ 73.07	-4.76%

- Cash and investments consist of \$10.4 million available to fund ongoing Authority operations, with \$0.5 million legally restricted for debt service and redevelopment projects.
- Other assets are accounts receivable.
- Long-term debt consists of \$12.6 2003 ARRA Variable Rate Demand Revenue Bonds to refund the 1999 ARRA Revenue Bonds and provide financing for redevelopment tasks at Alameda Point.
- Other liabilities consist primarily of accounts payable, advances from the City and deposits payable.
- Restricted net assets are legally restricted for debt service reserves and capital projects of the Authority.



Alameda Reuse and Redevelopment Authority of the City of Alameda

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

The following table presents the items underlying the changes in net assets:

Summary of Changes in Net Assets June 30, 2010 and 2009 (dollars in millions)			
	<u>2010</u>	<u>2009</u>	Percentage <u>Change</u>
Revenues			
Program revenues			
Capital Grants & Contributions	\$ 0.05	\$ 0.27	-81.48%
Charges for Services	11.25	13.75	-18.18%
Total Program Revenues	<u>11.30</u>	<u>14.02</u>	<u>-19.40%</u>
General revenues			
Use of Money and Property	0.16	0.39	-58.97%
Other	0.94	2.97	-68.35%
Total General Revenues	<u>1.10</u>	<u>3.36</u>	<u>-67.26%</u>
Total Revenues	<u>12.40</u>	<u>17.38</u>	<u>-28.65%</u>
Program Expenses			
Alameda Point Administration/Maintenance	3.42	10.09	-66.11%
Residential and Commercial Leasing	8.28	5.74	44.25%
Interest on Long-Term Debt	0.10	0.29	-65.52%
Total Expenses	<u>11.80</u>	<u>16.12</u>	<u>-26.80%</u>
Change in Net Assets before Transfers	0.60	1.27	-52.76%
Transfers, Net	<u>(4.31)</u>	<u>(4.48)</u>	<u>-3.79%</u>
Change in Net Assets	<u>(3.71)</u>	<u>(3.21)</u>	<u>15.58%</u>
Beginning Net Assets	<u>73.30</u>	<u>76.28</u>	<u>-3.91%</u>
Ending Net Assets	<u>\$ 69.59</u>	<u>\$ 73.07</u>	<u>-4.76%</u>

The Authority's major revenue source, Charges for Services, consisting of commercial and residential lease revenue, provided \$11.25 million or 91% of revenues in FY09-10. The Authority's primary governmental expenditures for residential and commercial leasing and property management and maintenance were \$7.8 million or 66% of expenses in FY09-10.



Alameda Reuse and Redevelopment Authority of the City of Alameda

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

Financial Analysis of the Authority's Funds

At June 30, 2010, the Authority's governmental funds reported combined fund balances of \$8.4 million. Of this amount, \$.8 million is reserved for capital projects and debt service; \$7.6 million is available to fund ongoing Authority operations. Governmental fund revenues totaled \$12.4 million. Governmental fund expenditures totaled \$9.9 million.

Analysis of Major Governmental Funds

Lease Revenue Fund

Lease Revenue Fund revenue consisted primarily of revenues from commercial and residential leasing totaling \$11.2 million or 90%, and Other Revenue totaling \$1.2 million or 10% of total Lease Revenue Fund revenue for the year ended June 30, 2010.

Lease Revenue Fund expenditures consisted primarily of professional and administration services, port management services, leasing and property maintenance totaling \$5.2 million or 55%, building/equipment repair and maintenance totaling \$3.1 million or 33% and other expenses totaling \$1.2 million or 12% for the year ended June 30, 2010.

At June 30, 2010, the general operating fund balance of approximately \$7.6 million comprised the total unreserved, undesignated fund balance for the Authority.

Capital Project Fund

Capital Project Fund revenues consisted solely of interest income totaling \$330 at June 30, 2010. Capital Project Fund expenditures consisted solely of professional and administrative services totaling \$75 at June 30, 2010.

At June 30, 2010, the Capital Project Fund balance was \$0.3 million, which is reserved for capital improvement projects.

Debt Service Fund

Debt Service Fund revenue consisted solely of interest income of \$4,452 for the year ended June 30, 2010. Debt Service Fund expenditures consisted solely of debt service principal and interest payments on outstanding debt totaling \$0.4 million for the year ended June 30, 2010. The amount of debt outstanding at June 30, 2010 was \$12.6 million.

At June 30, 2010, the Debt Service Fund balance was \$0.5 million.



Alameda Reuse and Redevelopment Authority of the City of Alameda

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

CAPITAL ASSETS

At the end of FY09-10, the Authority had \$73.8 million, net of depreciation, invested in a broad range of capital assets.

SUMMARY OF CAPITAL ASSETS

June 30, 2010 and 2009

(dollars in millions)

Governmental Activities:	2010	2009	% Change
Buildings	\$ 151.26	\$ 151.26	
Machinery and Equipment	0.73	0.73	
Infrastructure	20.23	20.23	
Less: Accumulated Depreciation	(98.40)	(96.46)	
TOTAL	\$ 73.82	\$ 75.76	-2.6%

Capital assets decreased \$1.94 million due to depreciation retirement. There were no significant construction projects during the fiscal year ended June 30, 2010.

Debt Administration

The Authority's debt issue is discussed in detail in Note 7 to its financial statements. A summary of the debt outstanding for the Authority is shown below.

Outstanding Debt As of June 30, 2010 and 2009 (in millions)

	Governmental Activities		Percentage Change
	<u>2010</u>	<u>2009</u>	
Variable Rate Demand Bonds	\$12.60	\$12.90	-2.3%
Total	\$12.60	\$12.90	-2.3%



Alameda Reuse and Redevelopment Authority of the City of Alameda

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2010

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

Alameda Point

Alameda Point is the reuse and redevelopment area of the former Naval Air Station Alameda located at the western end of the Island.

At its October 4, 2006 meeting, the ARRA authorized staff to issue a Request for Qualifications (RFQ) for a master developer for Alameda Point. In May 2007, the ARRA selected SunCal as the City's Master Developer; in July 2007 ARRA entered into an Exclusive Negotiation Agreement (ENA) with Alameda Point, LLC. The ENA was extended by the ARRA on October 7, 2009, until July 20, 2010.

On March 26, 2009, SunCal notified the City of its intent to circulate a petition and gather signatures for a ballot initiative regarding development at Alameda Point. SunCal filed the requisite number of signatures on October 14, 2009, thereby qualifying the initiative for the February 2, 2010 election. The City's voters rejected the measure 85% to 15%.

The ENA period expired in July 2010, and the Authority's staff and the Board are currently in the process of developing an alternative process and plan for the development of Alameda Point.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This Alameda Reuse and Redevelopment Authority Financial Report is intended to provide citizens, taxpayers, investors and creditors with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City of Alameda, Finance Division, 2263 Santa Clara Avenue, Room 220, Alameda, California, 94501.

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COMPONENT UNIT BASIC FINANCIAL STATEMENTS

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STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets reports the difference between ARRA's total assets and ARRA's total liabilities, including all of ARRA's capital assets and all of its long-term debt. The Statement of Net Assets summarizes the activities of all of ARRA's financial position in a single column.

The Statement of Activities and Changes in Net Assets reports increases and decreases in ARRA's net assets. It is also prepared on the full accrual basis, which means it includes all of ARRA's revenues and all of its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund Financial Statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Statement of Net Assets
June 30, 2010

	Governmental Activities
<hr/>	
ASSETS	
Current assets:	
Cash and investments	\$ 10,375,089
Restricted cash and investments	311,967
Accounts receivable	402,053
Capital assets, net of accumulated depreciation	73,820,022
Total current assets	<u>84,909,131</u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued expenses	543,914
Accrued payroll	37,801
Deposits payable	1,769,080
Compensated absences	64,101
Long-term debt - due within one year	300,000
Total current liabilities	<u>2,714,896</u>
Noncurrent liabilities:	
Advances from the City of Alameda	300,000
Long-term debt - due in more than one year	12,300,000
Total noncurrent liabilities	<u>12,600,000</u>
Total liabilities	<u>15,314,896</u>
NET ASSETS	
Invested in capital assets, net of related debt	73,820,022
Restricted for:	
Capital projects	330,999
Debt service	510,570
Total restricted net assets	<u>841,569</u>
Unrestricted	(5,067,356)
Total net assets (deficit)	<u><u>\$ 69,594,235</u></u>

See accompanying Notes to Basic Financial Statements.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Functions/Programs	Expenses	Program Revenues	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	Governmental Activities
Governmental activities:				
Alameda Point administration	\$ 3,423,489	\$ -	\$ 53,784	\$ (3,369,705)
Residential leasing	491,164	1,649,283	-	1,158,119
Commercial leasing and maintenance	7,787,236	9,597,260	-	1,810,024
Interest on long-term debt	92,537	-	-	(92,537)
Total governmental activities	<u>\$ 11,794,426</u>	<u>\$ 11,246,543</u>	<u>\$ 53,784</u>	<u>(494,099)</u>
General revenues:				
Investment earnings				161,152
Miscellaneous				<u>936,015</u>
Total general revenues				<u>1,097,167</u>
Transfers:				
Transfers to City of Alameda, net				<u>(4,307,217)</u>
Total general revenues and transfers				<u>(3,210,050)</u>
Change in net assets				(3,704,149)
Net assets - beginning of year, as restated				<u>73,298,384</u>
Net assets - end of year				<u>\$ 69,594,235</u>

See accompanying Notes to Basic Financial Statements.

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FUND FINANCIAL STATEMENTS

Alameda Reuse and Redevelopment Authority of the City of Alameda
Balance Sheet
Governmental Funds
June 30, 2010

	Major Governmental Funds			
	Lease Revenue Fund	2003 AP Revenue Bond Project Capital Project Fund	2003 AP Revenue Bonds Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 9,845,487	\$ 23,364	\$ 506,238	\$ 10,375,089
Restricted cash and investments	-	307,635	4,332	311,967
Accounts receivable	402,053	-	-	402,053
Total assets	\$ 10,247,540	\$ 330,999	\$ 510,570	\$ 11,089,109
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 543,914	\$ -	\$ -	\$ 543,914
Accrued payroll	37,801	-	-	37,801
Advances from the City of Alameda	300,000	-	-	300,000
Deposits payable	1,769,080	-	-	1,769,080
Total liabilities	2,650,795	-	-	2,650,795
Fund Balances:				
Reserved for:				
Debt service	-	-	510,570	510,570
Capital improvement	-	330,999	-	330,999
Unreserved, designated for:				
Unrealized increase in fair value of investments	72,943	-	-	72,943
Unreserved, undesignated, reported in:				
General Fund	7,523,802	-	-	7,523,802
Total fund balances	7,596,745	330,999	510,570	8,438,314
Total liabilities and fund balances	\$ 10,247,540	\$ 330,999	\$ 510,570	\$ 11,089,109

See accompanying Notes to Basic Financial Statements.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010

Total Fund Balances - Total Governmental Funds	\$ 8,438,314
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Amounts reported for governmental activities in the Statement of Net Assets were different because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Fund Financial statements.	73,820,022
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Long-term liabilities were not due and payable in the current period. Therefore, they were not reported in the Fund Financial statements:

Compensated absences	(64,101)
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Long-term debt	<u>(12,600,000)</u>
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Net Assets of Governmental Activities	<u><u>\$ 69,594,235</u></u>
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Alameda Reuse and Redevelopment Authority of the City of Alameda
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	Major Governmental Funds			
	Lease Revenue Fund	2003 AP Revenue Bond Project Capital Project Fund	2003 AP Revenue Bonds Debt Service Fund	Total Governmental Funds
REVENUES:				
Miscellaneous grants and contributions	\$ 53,784	\$ -	\$ -	\$ 53,784
Lease revenue	11,246,543	-	-	11,246,543
Interest	156,370	330	4,452	161,152
Other	936,015	-	-	936,015
Total revenues	12,392,712	330	4,452	12,397,494
EXPENDITURES:				
Current:				
Wages and benefits	1,080,858	-	-	1,080,858
Office supplies	41,169	-	-	41,169
Professional and administrative services	5,184,108	75	4,500	5,188,683
Building/equipment repairs and maintenance	3,073,162	-	-	3,073,162
Debt service:				
Principal	-	-	300,000	300,000
Interest	90,000	-	92,537	182,537
Total expenditures	9,469,297	75	397,037	9,866,409
REVENUES OVER (UNDER) EXPENDITURES	2,923,415	255	(392,585)	2,531,085
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	41	41
Transfers out	-	(41)	-	(41)
Transfers from City of Alameda	526,240	-	-	526,240
Transfers to City of Alameda	(4,833,457)	-	-	(4,833,457)
Total other financing sources (uses)	(4,307,217)	(41)	41	(4,307,217)
Net change in fund balances	(1,383,802)	214	(392,544)	(1,776,132)
FUND BALANCES:				
Beginning of year	8,980,547	330,785	903,114	10,214,446
End of year	<u>\$ 7,596,745</u>	<u>\$ 330,999</u>	<u>\$ 510,570</u>	<u>\$ 8,438,314</u>

See accompanying Notes to Basic Financial Statements.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
For the year ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ (1,776,132)

Amounts reported for governmental activities in the Statement of Activities and Changes in Net Assets were different because:

Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities and Changes in Net Assets, but they did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in the governmental funds. This was the amount of depreciation expenses recorded in the current period. (2,163,916)

Bond proceeds provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Assets. Repayment of bond principal was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Assets. 300,000

Accrued compensated leave payable was an expenditure in governmental funds, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Assets. (64,101)

Change in Net Assets of Governmental Activities \$ (3,704,149)

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NOTES TO BASIC FINANCIAL STATEMENTS

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements
For the year ended June 30, 2010

1. ORGANIZATION AND PROGRAMS

A. Description of the Reporting Entity

The Alameda Reuse and Redevelopment Authority (ARRA) was formed in April 1994 by the City and County of Alameda. The purpose of ARRA is to ensure the effective transition of the Alameda Naval Air Station (NAS) from federal to local ownership. ARRA is responsible for the development of an Interim Reuse Strategy, taking title to base lands, and implementation of the Community Reuse Plan. ARRA is recognized by the Department of Defense as the responsible entity for submitting and completing the Community Reuse Plan for the 1997 decommission of the NAS.

ARRA is governed by a Governing Body which was restructured in January 2000 and is now comprised of members of the City Council of the City of Alameda acting in separate capacity as board members of the Authority. All staff work is performed by the officials and staff of the City, or by consultants. The City Council serves as the Governing Board of the Authority, which is a component unit of the City, and is accounted for in separate funds established by the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of ARRA conform with generally accepted accounting principles applicable to governments. The following is a summary of the significant policies:

A. Basis of Presentation

The ARRA Component Unit Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities.

These Statements require that the financial statements described below be presented.

Authority-Wide Statements: The Statement of Net Assets and the Statement of Activities include the financial activities of the overall ARRA entity. Eliminations have been made to minimize the double counting of internal activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the ARRA governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs; (b) grants and contributions that are restricted to meeting the operational needs of a particular program; and (c) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

A. Basis of Presentation, Continued

Fund Financial Statements: The fund financial statements provide information on the ARRA funds. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column. ARRA considers all its funds to be major funds.

B. Major Funds

The ARRA reported all its governmental funds as major funds in the accompanying financial statements.

Lease Revenue Fund

Lease Revenue Fund is the general operating fund of the ARRA. It is used to account for all financial resources that are not accounted for in other funds. The major revenue sources for this Fund are leasing activities revenues and grants. Expenditures are made for base reuse activities.

2003 AP Revenue Bond Project Capital Project Fund

This fund accounts for the Alameda Point major construction and improvement projects financed through the 2003 Variable Rate Demand Revenue Bonds.

2003 AP Revenue Bonds Debt Service Fund

The 2003 Variable Rate Demand Revenue Bonds were issued in December 2003 by the Alameda Public Financing Authority to refund the 1999 ARRA Revenue Bonds and to finance professional land use planning and other activities required in the redevelopment process at Alameda Point. The debt will be repaid solely from lease revenues paid to ARRA.

C. Basis of Accounting and Measurement Focus

The authority-wide financial statements are reported using the *economic resources measurement focus* and the *full accrual basis* of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Governmental funds are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Under this method, revenues are recognized when *measurable* and *available*. ARRA considers all revenues reported in the governmental funds to be available if the revenues are collected within forty-five days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Governmental capital asset acquisitions are reported as *expenditures* in governmental funds. Proceeds of governmental long-term debt and acquisitions under capital leases are reported as *other financing sources*.

Those revenues susceptible to accrual are grants and leases. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. CASH AND INVESTMENTS

A. Policies

ARRA's cash, except cash with fiscal agents, is included in the cash and investments pool of the City of Alameda, the details of which are presented in the City's basic financial statements.

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

ARRA and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. Individual investments are generally made by ARRA's fiscal agents as required under its debt issues; ARRA normally invests only in the California Local Agency Investment Fund pool administered by the State.

ARRA's investments are carried at fair value, as required by generally accepted accounting principles. ARRA adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in income for that fiscal year.

B. Classification

Cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of ARRA debt instruments or agency agreements.

Cash and investments at June 30, 2010 are as follows:

Cash and investments available for operations	\$ 10,375,089
Restricted cash and investments	<u>311,967</u>
Total ARRA cash and investments	<u>\$ 10,687,056</u>

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. CASH AND INVESTMENTS, Continued

C. Investments Authorized by the California Government Code and the City's Investment Policy

The City's investment policy and the California Government Code allow ARRA to invest in the following, provided the credit ratings of the issuers are acceptable to ARRA, and approved percentages and maturities are not exceeded. The table below also identifies certain provisions of the California Government Code, or the City's investment policy where the City's Investment Policy is more restrictive.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Repurchase Agreements	270 Days	N/A	20%	No limit
California Local Agency Investment Fund (LAIF)	Upon demand	N/A	\$50,000,000 per account	\$50,000,000 per account
US Treasury Bonds, Notes and Bills	5 years	N/A	No limit	No limit
US Agency and US Government-Sponsored Enterprise Securities	5 years	N/A	75%	25% in each US Agency
Bankers' Acceptances	180 days	N/A	30%	30%
Commercial Paper	270 days	A1, P1	25%	No limit
Negotiable Certificates of Deposit	5 years	AA	30%	No limit
Time Certificates of Deposit	5 years	N/A	30%	No limit
Medium-Term Corporate Notes	5 years	A	30%	No limit
Money Market Mutual Funds	N/A	AAA	20%	No limit
County Agency Investment Fund	Upon demand	N/A	15%	No limit
California Asset Management Program (CAMP)	Upon demand	N/A	No limit	No limit

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. CASH AND INVESTMENTS, Continued

D. Investments Authorized by Debt Agreements

ARRA must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged as reserves to be used if ARRA fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with Commission ordinance, bond indentures or State statute. The table below identifies the investment types that are authorized for investments held by fiscal agents. The table also identifies certain provisions of these debt agreements:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Repurchase Agreements	30 Days	Top four rating categories	No limit	No limit
US Treasury Bonds, Notes and Bills	No limit	N/A	No limit	No limit
US Agency and US Government-Sponsored Enterprise Securities	No limit	No limit	No limit	No limit
Commercial Paper	270 days	A-1+	No limit	No limit
Negotiable Certificates of Deposit	No limit	N/A	No limit	No limit
Time Certificates of Deposit	No limit	N/A	No limit	No limit
Guaranteed Investment Contracts	No limit	Not lower than their bond rating	No limit	No limit
Corporate Notes and Bonds	No limit	Not lower than their bond rating	No limit	No limit
State Obligations	No limit	Not lower than their bond rating	No limit	No limit
Shares of Beneficial Interest	No limit	Top rating category	No limit	No limit
Money Market Mutual Funds	No limit	Aam	20%	No limit
Bankers' Acceptances	365 days	A-1+	30%	30%
California Local Agency Investment Fund (LAIF)	Upon demand	N/A	\$50,000,000 per account	\$50,000,000 per account
Investment Agreements	No limit	AA-	No limit	No limit

E. Interest Rate Risk

Interest rate risk is the risk that changes in the economic markets that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the changes in market interest rates.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

3. CASH AND INVESTMENTS, Continued

E. Interest Rate Risk, Continued

Information about the sensitivity of the fair values of ARRA's investments (including investments held by bond trustees) to market interest rate fluctuations is provided by the following table that shows the distribution of ARRA's investments by maturity:

Investment Type	12 Months	Total
	Or Less	
Money Market Mutual Funds	311,967	311,967
California Local Agency Investment Fund	10,375,089	10,375,089
Total investments	\$ 10,687,056	\$ 10,687,056

Through the City's investment pool, ARRA is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. ARRA reports its investment in LAIF at the fair value amounts provided by LAIF, which is the same as the value of the pool share. At June 30, 2010 the fair value approximated is ARRA's cost. The balance available for withdrawal on demand is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, United States Treasury Notes and Bills, and corporations. At June 30, 2010, these investments matured in an average of 203 days.

F. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment when an investment matures. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2009 for each investment type as provided by Standard and Poor's:

Investment Type	AAAm	Total
Money Market Mutual Funds	311,967	311,967
Totals	\$ 311,967	311,967
Not rated:		
California Local Agency Investment Fund		10,375,089
Total investments		\$ 10,687,056

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

4. REVENUES

ARRA collects lease revenues from residential and commercial tenants who occupy space at Alameda Point. A significant source of this revenue is generated from berthing fees received from the U.S. Department of Transportation (MARAD Fleet), whose fees are based on the number of days ships are berthed at Alameda Point. During the normal course of business, revenues generally earned but not available due to lease renegotiation, federal payment systems or other circumstances which the ARRA Board has reviewed. Lease revenues in arrears were \$750,079 at June 30, 2010, of which a significant amount is due from the USS Hornet Museum, due to delays in receiving payments due from the Federal Government.

5. INTERFUND TRANSACTIONS

A. Long-Term Interfund Advances

The Golf Course Enterprise Fund advanced a Lease Revenue Fund Leasing Activity Subfund \$300,000 in fiscal year 2001 for predevelopment activities in connection with a golf course at Alameda Point. Upon completion of various pre-development engineering and environmental studies, development of a golf course at Alameda Point was deemed unfeasible. As of June 30, 2010, this loan had a balance of \$300,000.

B. Transfers Between the City and the ARRA

During the fiscal year ended June 30, 2010, ARRA made net cash transfers of \$4,307,217 to reimburse the City for capital expenditures for infrastructure improvements and its pro-rata share of operating expenditures incurred on behalf of ARRA, as determined by the City's approved Cost Allocation Plan.

6. CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair market value on the date contributed.

All capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to allocate the cost of capital assets equitably among all users during the life of these assets. The amount allocated to depreciation expense each year represents that year's pro-rata share of the cost of capital assets.

Depreciation is provided using the straight-line method, which means the cost of the asset is divided by its expected useful life in years, and the result is charged to expense each year until the asset is fully depreciated. The ARRA has assigned the useful lives to capital assets as listed below:

Buildings	40 - 80 years
Machinery and Equipment	4 - 40 years
Infrastructure	15 - 75 years

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

6. CAPITAL ASSETS, Continued

A. Capital Asset Activities:

Capital assets at June 30 comprise:

	Balance July 1, 2009	Additions	Deletions/ Adjustments	Balance June 30, 2010
Governmental activities:				
Buildings	\$ 151,257,381	\$ -	\$ -	\$ 151,257,381
Machinery and equipment	730,258	-	-	730,258
Infrastructure	20,230,527	-	-	20,230,527
Total governmental activities	172,218,166	-	-	172,218,166
Less accumulated depreciation:				
Buildings	(78,343,824)	(1,902,619)	94,266	(80,152,177)
Machinery and equipment	(524,420)	(3,888)	3,893	(524,415)
Infrastructure	(17,593,029)	(257,409)	128,886	(17,721,552)
Total accumulated depreciation	(96,461,273)	(2,163,916)	227,045	(98,398,144)
Total governmental activities, net of accumulated depreciation	\$ 75,756,893	\$ (2,163,916)	\$ 227,045	\$ 73,820,022

Depreciation expense of \$2,163,916 was added to the Alameda Point Administration function expenses on the statement of activities during the year. In addition \$227,045 adjustment was recorded to correct prior year depreciation.

B. Capital Asset Contributions

Some capital assets may be acquired using Federal and State grant funds, or contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

7. LONG-TERM DEBT

A. 2003 ARRA Variable Rate Demand Revenue Bonds

On December 1, 2003, the Alameda Public Financing Authority issued Variable Rate Revenue Bonds in the original principal amount of \$13,440,000 at a variable rate of interest determined on a weekly basis. The proceeds from the bonds were used to refund the 1999 ARRA Revenue Bonds which were issued to finance the costs of certain improvements at Alameda Point and to finance professional services for land use planning and other activities required in the redevelopment process at Alameda Point. Repayment of these bonds is from lease revenues paid to ARRA from certain land, buildings, fixtures and equipment. Interest is payable on the first business day of each month.

The pledge of sublease revenues ends upon repayment of the \$13,006,224 in remaining debt service on the Bonds which is scheduled to occur in 2034. As disclosed in the bond indenture documents, pledged future sublease revenues are expected to provide coverage over debt service of 1.5 during the life of the Bonds. For fiscal year 2010, sublease revenues amounted to \$11,246,543 which represented coverage of 2,331% over the \$392,537 in debt service.

The current year principal retirement is \$300,000. Repayment requirements for the Revenue Bonds were as follows at June 30, 2010:

Year Ending June 30,	Principal	Interest	Total
2011	\$ 300,000	\$ 105,336	\$ 405,336
2012	300,000	102,816	402,816
2013	300,000	100,296	400,296
2014	300,000	97,776	397,776
2015	400,000	-	400,000
2016-2020	2,000,000	-	2,000,000
2021-2025	2,700,000	-	2,700,000
2026-2030	3,100,000	-	3,100,000
2031-2034	3,200,000	-	3,200,000
Total	\$ 12,600,000	\$ 406,224	\$ 13,006,224

Alameda Reuse and Redevelopment Authority of the City of Alameda
Notes to Basic Financial Statements, Continued
For the year ended June 30, 2010

8. NET ASSETS

Net Assets is the excess of all ARRA assets over all liabilities, regardless of fund. Net Assets are divided into three captions, as described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the ARRA's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets, which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which ARRA cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Unrestricted describes that portion of Net Assets not restricted as to use.

9. PRIOR PERIOD ADJUSTMENT

During the fiscal year 2010 ARRA recorded a prior period adjustment to correct accounting errors related to recording of accumulated depreciation on capital assets.

	Net Assets, as Previously Reported	Prior Period Adjustments Accumulated Depreciation	Net Assets, as Restated
Governmental Activities	\$ 73,071,339	\$ 227,045	\$ 73,298,384

The affect of the correction of the error was to increase the change in net assets for the year ended June 30, 2009 as the result of reducing depreciation expense for that year.

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REQUIRED SUPPLEMENTARY INFORMATION

Alameda Reuse and Redevelopment Authority of the City of Alameda
Required Supplementary Information
For the year ended June 30, 2010

1. BUDGETS AND BUDGETARY ACCOUNTING

The Authority adopts a budget annually for its Lease Revenue Fund. This budget is effective July 1st for the ensuing fiscal year. From the effective date of the budget, which is adopted by the Authority's Board, and controlled at the division level, the amounts stated therein as proposed expenditures become appropriations to each division of the Authority.

The Authority may amend the budget during the fiscal year. The Executive Director or designee is authorized to transfer budgeted amounts between divisions and between line items within any fund. However, any revisions which alter the total expenditures of any fund must be approved by the Board (City Council). Transfers between funds must be approved by the City Council. All appropriations lapse at year end. Supplemental changes in appropriations were adopted by the Board and have been included in the budget versus actual statements. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

Under encumbrance accounting, purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of the formal budgetary process. Encumbrances outstanding at year end lapse and must be reappropriated as part of the following fiscal year's budget.

The Authority has elected to present all of its funds as major funds.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
(Budgetary Basis) - General Fund
For the year ended June 30, 2010

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES:				
Miscellaneous grants and contributions	\$ -	\$ -	\$ 53,784	\$ 53,784
Charges for current services	745,820	745,820	-	(745,820)
Lease revenue	12,355,790	12,355,790	11,246,543	(1,109,247)
Interest	99,000	99,000	156,370	57,370
Other	500,000	500,000	936,015	436,015
Total revenues	13,700,610	13,700,610	12,392,712	(1,307,898)
EXPENDITURES:				
Current:				
Wages and benefits	1,231,710	1,231,710	1,080,858	150,852
Office supplies	63,886	63,886	41,169	22,717
Travel	22,670	22,670	-	22,670
Professional and administrative services	9,984,630	9,953,754	5,184,108	4,769,646
Building/equipment repairs and maintenance	2,453,890	2,453,890	3,073,162	(619,272)
Debt service:				
Principal	480,000	480,000	-	480,000
Interest	90,000	90,000	90,000	-
Total expenditures	14,326,786	14,295,910	9,469,297	4,826,613
REVENUES OVER (UNDER) EXPENDITURES	(626,176)	(595,300)	2,923,415	(3,518,715)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	56,045	-	(56,045)
Transfers out	2,064,258	502,600	-	(502,600)
Transfers from the City of Alameda	-	-	526,240	526,240
Transfers to the City of Alameda	-	-	(4,833,457)	(4,833,457)
Total other financing sources (uses)	2,064,258	558,645	(4,307,217)	(4,865,862)
Net change in fund balance	\$ 1,438,082	\$ (36,655)	(1,383,802)	\$ (1,347,147)
FUND BALANCE:				
Beginning of year			8,980,547	
End of year			<u>\$ 7,596,745</u>	

See accompanying Notes to Basic Financial Statements.

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SUPPLEMENTARY INFORMATION

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Alameda Reuse and Redevelopment Authority of the City of Alameda
Balance Sheet - by Revenue Source
General Fund
For the year ended June 30, 2010

	Alameda Point Administration	Housing Activities	Leasing Activities	Total
ASSETS				
Current assets:				
Cash and investments	\$ (19,374,538)	\$ 12,399,103	\$ 16,820,922	\$ 9,845,487
Accounts receivable	396,269	-	5,784	402,053
Total current assets	(18,978,269)	12,399,103	16,826,706	10,247,540
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	64,819	-	479,095	543,914
Accrued payroll	-	-	37,801	37,801
Deposits payable	1,194,717	186,600	387,763	1,769,080
Total current liabilities	1,259,536	186,600	904,659	2,350,795
Noncurrent liabilities:				
Advances from the City of Alameda	-	-	300,000	300,000
Total noncurrent liabilities	-	-	300,000	300,000
Total liabilities	1,259,536	186,600	1,204,659	2,650,795
FUND BALANCES				
Unreserved, designated for:				
Unrealized increase in fair value of investments	-	-	72,943	72,943
Unreserved, undesignated, reported in:				
General Fund	(20,237,805)	12,212,503	15,549,104	7,523,802
Total fund balances	(20,237,805)	12,212,503	15,622,047	7,596,745
Total liabilities and fund balances	\$ (18,978,269)	\$ 12,399,103	\$ 16,826,706	\$ 10,247,540

See accompanying Notes to Basic Financial Statements.

Alameda Reuse and Redevelopment Authority of the City of Alameda
Statement of Revenues, Expenditures and Changes in Fund-Balances - by Revenue Source
General Fund
For the year ended June 30, 2010

	Alameda Point Administration	Housing Activities	Leasing Activities	Total
REVENUES:				
Miscellaneous grants and contributions	\$ 5,807	\$ -	\$ 47,977	\$ 53,784
Lease revenue	-	1,649,283	9,597,260	11,246,543
Interest	-	68	156,302	156,370
Other	137,825	-	798,190	936,015
Total revenues	<u>143,632</u>	<u>1,649,351</u>	<u>10,599,729</u>	<u>12,392,712</u>
EXPENDITURES:				
Current:				
Wages and benefits	425,409	-	655,449	1,080,858
Office supplies	21,677	-	19,492	41,169
Professional and administrative services	743,811	491,164	3,949,133	5,184,108
Building/equipment repairs and maintenance	-	-	3,073,162	3,073,162
Debt service:				
Interest	-	-	90,000	90,000
Total expenditures	<u>1,190,897</u>	<u>491,164</u>	<u>7,787,236</u>	<u>9,469,297</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(1,047,265)</u>	<u>1,158,187</u>	<u>2,812,493</u>	<u>2,923,415</u>
OTHER FINANCING SOURCES (USES):				
Transfers from City of Alameda	-	-	526,240	526,240
Transfers to City of Alameda	(83,251)	-	(4,750,206)	(4,833,457)
Total other financing sources (uses)	<u>(83,251)</u>	<u>-</u>	<u>(4,223,966)</u>	<u>(4,307,217)</u>
Net change in fund balances	(1,130,516)	1,158,187	(1,411,473)	(1,383,802)
FUND BALANCES:				
Beginning of year	(19,107,289)	11,054,316	17,033,520	8,980,547
End of year	<u>\$ (20,237,805)</u>	<u>\$ 12,212,503</u>	<u>\$ 15,622,047</u>	<u>\$ 7,596,745</u>

See accompanying Notes to Basic Financial Statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Members of the Governing Board of the Alameda Reuse and Redevelopment Authority
of the City of Alameda
Alameda, California

We have audited the financial statements of the Alameda Reuse and Redevelopment Authority (Authority) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of Authority management, the Members of the Board of Directors, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Capricci & Larson, Inc.

San Francisco, California
December 13, 2010